

Message Text

UNCLASSIFIED

PAGE 01 ROME 06492 101849Z

50

ACTION EUR-25

INFO OCT-01 EA-11 IO-14 ISO-00 SP-03 AID-20 EB-11 NSC-07

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

PA-04 PRS-01 USIA-15 CIAE-00 FRB-02 INR-10 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 DRC-01 L-03 H-03 EURE-00

AGR-20 INT-08 /219 W

----- 110486

P 101700Z MAY 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 4732

INFO USDOC WASHDC PRIORITY

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

USEC BRUSSELS

US MISSION GENEVA 2249

US MISSION OECD PARIS

AMCONSUL MILAN

AMCONSUL NAPLES

UNCLAS ROME 6492

E.O. 11652: N/A

TAGS: EFIN, ETRD, IT

SUBJECT: ITALIAN IMPORT MEASURES - ASSESSMENT AND COMMENT

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 ROME 06492 101849Z

REF: ROME: 6470, 6302, 6207, 6128 AND A-269

SUMMARY. ITALIAN IMPORT DEPOSIT REQUIREMENT WILL AFFECT 23.2 PERCENT OF IMPORTS FROM US COMPARED WITH 40 PERCENT OF TOTAL IMPORTS. TIGHTENED CREDIT AVAILABILITY MAY HIT INVESTMENTS AS WELL AS IMPORTS, AS ITALIAN INDUSTRY EMPHASIZING IN PROTESTS TO GOI. EFFECTS OF MEASURE ON US TRADE PROMOTION MAY BE SIGNIFICANT.

END SUMMARY.

1. EFFECTIVE DATE NEW ITALIAN IMPORT DEPOSIT REGULATION WAS MAY 7, 1974. IMPORTATION OF GOODS LISTED IN MINISTERIAL DECREE OF MAY 2, 1974 PUBLISHED IN ITALIAN OFFICIAL GAZETTE NO. 115 OF MAY 4, 1974 IS SUBJECT TO PRESENTATION TO CUSTOMS (WHEN SUCH GOODS ARE CLEARED FOR ENTRY IN ITALY) OF CERTIFICATES ISSUED BY BANK OF ITALY OR BY A BANK AUTHORIZED TO ACT AS AGENT OF BANK OF ITALY (I.E. MOST LARGER BANKS) STATING THAT NON-INTEREST-BEARING DEPOSITS MADE IN CASH BY IMPORTERS IN AMOUNTS EQUAL TO 50 PERCENT OF CIF VALUE OF MERCHANDISE. DEPOSIT RELEASED 180 DAYS AFTER DATE ON WHICH AFFECTED. DEPOSIT REQUIREMENT DOES NOT APPLY TO SHIPMENTS VALUED AT LESS THAN LIRE 1 MILLION (OR ABOUT \$1,600) AND TO TEMPORARY IMPORTS. HOWEVER, DEPOSIT IS REQUIRED PRIOR TO FINALIZATION OF CUSTOMS PROCEDURES IF AND WHEN GOODS ORIGINALLY INTRODUCED ON TEMPORARY BASIS ARE REPORTED (TO CUSTOMS) TO HAVE BEEN HELD FOR CONSUMPTION IN ITALY. MINISTRIES OF FINANCE AND FOREIGN TRADE IN PROCESS OF INSTITUTING SPECIAL CONTROLS TO EFFECTIVELY LIMIT EXEMPTION TO BONA FIDE TEMPORARY IMPORTS; (I.E. GOODS INTENDED ACTUALLY FOR EXHIBITION, PROCESSING OR EXPERIMENTATION IN ITALY). NO CLARIFICATION AVAILABLE AT PRESENT AS TO TREATMENT OF GOODS ENTERED UNDER LEASING ARRANGEMENT.

2. NEW REGULATIONS APPLY ALSO TO GOODS ALREADY SOLD BUT NOT YET DELIVERED, INCLUDING GOODS EN ROUTE. (COMMENT - THIS CREATES HARDSHIP FOR IMPORTERS AND DISTRIBUTORS OF FOREIGN MERCHANDISE SUBJECT TO DEPOSIT REQUIREMENT WHO, IN MOST CASES, HAVE FIRMED UP SALES AND PRICES AND THEREFORE CANNOT RECOVER COST OF FINANCING NEEDED TO EFFECT IMPORT DEPOSIT.)

3. INCIDENCE ADDITIONAL COST IMPORT DEPOSIT ESTIMATED AT 3.50-4 PERCENT CIF VALUE OF IMPORT SHIPMENT AS MOST BANKS EXPECTED TO CHARGE 14-16 PERCENT INTEREST PER ANNUM ON AMOUNT (50 PERCENT) OF UNCLASSIFIED

UNCLASSIFIED

PAGE 03 ROME 06492 101849Z

DEPOSIT. HOWEVER, COST EFFECTS NEW MEASURE STILL VAGUE - E.G. AUTO INDUSTRY SAYS EFFECT ON IMPORTED CARS 10 PERCENT - AND ONE LEADING IMPORTER WHO SHOULD BE GIVEN PRIME RATE REPORTEDLY QUOTED 23 PERCENT RATE BY HIS BANK.

/ASSESSMENT/

4. EMBASSY ANALYZED LIST OF PRODUCTS SUBJECT TO IMPORT DEPOSIT

REQUIREMENT AGAINST 1972 ITALIAN OFFICIAL FOREIGN TRADE STATISTICS (FULL 1973 DATA NOT YET AVAILABLE). EMBASSY CALCULATIONS INDICATE THAT ITALIAN IMPORTS FROM US AFFECTED BY NEW REQUIREMENT REPRESENT 23.2 PERCENT OF TOTAL AS COMPARED WITH 40 PERCENT OF TOTAL WORLD IMPORTS STATED AS AFFECTED BY FOREIGN TRADE MINISTER MATTEOTTI ON MAY 9. EMBASSY ESTIMATES THAT 28.2 PERCENT OF US NON-AGRICULTURALEXPORTS TO ITALY AFFECTED BY DEPOSIT REGULATIONS.

5. FOLLOWING ARE PRINCIPAL US MANUFACTURED PRODUCTS AFFECTED BY NEW REQUIREMENT. FIGURES IN PARENTHESIS ARE 1972 IMPORTS FROM US IN MILLIONS OF US DOLLARS. (1972 EXCHANGE RATE USED IS \$1 EQUAL TO LIRE 581.5.) ARTIFICIAL PLASTIC MATERIALS (22); PLATES, FILM AND AND CHEMICALS FOR PHOTOGRAPHIC AND MOTION PICTURE INDUSTRIES (22); NON-ELECTRIC INDUSTRIAL MACHINES AND EQUIPMENT, INCLUDING BUSINESS MACHINES (115); ELECTRIC MACHINES AND APPARATUS, TELECOMMUNICATION EQUIPMENT AND PRODUCTS FOR ELECTRO-TECHNICAL USE (86); OPTICAL INSTRUMENTS AND EQUIPMENT FOR PHOTOGRAPHIC AND MOTION PICTURE INDUSTRIES, MEASURING AND CONTROLLING INSTRUMENTS AND MEDICAL AND SURGICAL INSTRUMENTS (59); TEXTILES AND FIBERS (9).

6. GENERAL ITEMS NOT REPEAT NOT AFFECTED INCLUDE CORN (138); AIRCRAFT (125); ORGANIC AND INORGANIC CHEMICALS AND CHEMICAL PREPARATIONS INCLUDING PHARMACEUTICALS (87); OIL SEEDS (85); COAL (76); SEMI-FINISHED IRON AND STEEL (38); OIL CAKE/MEAL (36); ELECTRONIC DATA PROCESSING EQUIPMENT (35); ROUGH WOOD (33); COPPER (29); KRAFT PAPER (27); SCRAP IRON (27); TOBACCO (22); SILVER (21); FERTILIZERS (20); COTTON (18); KAOLIN/CLAYS (12) AND WHEAT (6).

/COMMENT/

7. LOCAL ASSOCIATIONS OF MANUFACTURERS OF MACHINE TOOLS AND OF UNCLASSIFIED

UNCLASSIFIED

PAGE 04 ROME 06492 101849Z

ELECTRONIC PRODUCTS AS WELL AS MANY OTHER BUSINESS GROUPS MAKING STRONG PROTESTS AND DEMANDING MILIGATING GOVERNMENT ACTION AS NEW REGULATIONS ARE EXPECTED TO RESULT IN REDUCTION OF IMPORTS OF GOODS ESSENTIAL TO ITALIAN MANUFACTURERS OF PRODUCTS INTENDED FOR EXPORT. EVEN MORE SERIOUSLY, THEY CLAIM SUCH REGULATION WILL CURTAIL SIGNIFICANTLY BANK LIQUIDITY, ALREADY AFFECTED CRITICALLY BY RECENT CREDIT RESTRICTIONS (I.E. 15 PERCENT LIMITATION ON INCREASE OF ALL CREDIT LINES IN NEXT YEAR, AND PROHIBITION OF ITALIAN BANK GUARANTEES FOR FOREIGN LOANS CONNECTED TO IMPORTS) AND THUS LIMIT AVAILABILITY OF CREDIT TO FINANCE NEW BUSINESS INVESTMENTS. IN THIS SITUATION, ITALIAN IMPORTERS MAY FIND IT DIFFICULT TO OBTAIN LOCAL FINANCING FOR GOODS THEY INTEND TO PURCHASE ABROAD AND WILL NO DOUBT GIVE PREFERENCE TO US EXPORTERS WHO WILL EXTEND CREDIT ON FAVORABLE COMMERCIAL TERMS (E.G. BY TAKING ADVANTAGE OF US EXPORT CREDIT INSURANCE) AND/OR MAY WISH

TO ARRANGE THROUGH THEIR US BANK FOR EFFECTING ITALIAN IMPORT DEPOSIT ON MERCHANDISE WHICH THEY SHIP TO ITALY. BASIC PROBLEM MAY BE HEIGHTENED BY ADMINISTRATIVE BURDEN REGULATION IMPOSES ON BANKING SYSTEM AND POSSIBILITY THAT RETURN OF DEPOSITS WILL BE DELAYED (E.G. AGRICULTURAL CAP RESTITUTIONS TWO YEARS IN ARREARS). ON COMPETITIVE SIDE, EMBASSY HAS REPORTED (ROME 6470) POSSIBLE FRENCH INITIATIVE FOR GOF SUPPORT OF PRIVATE MEAT/ANIMAL EXPORTERS TO COVER 50 PERCENT DEPOSIT REQUIREMENT.

8. IN RESPONSE COMPLAINTS AGAINST IMPORT DEPOSIT FROM PRACTICALLY ALL LOCAL BUSINESS CIRCLES INCLUDING CONFINDUSTRIA AND FIAT, ITALIAN GOVERNMENT ASSURED THAT THIS EMERGENCY MEASURE, NECESSARY TO FACE GROWING BALANCE OF PAYMENTS DEFICIT, WILL BE LIFTED AS SOON AS ITALY'S FOREIGN ACCOUNTS SHOW SIGNS OF IMPROVEMENT. IN ANY EVENT, ACCORDING TO PRESS, EC HAS REQUESTED ITALY TO ELIMINATE DEPOSIT REQUIREMENT ON AGRICULTURAL PRODUCTS WITHIN NEXT FEW WEEKS AND TO REVIEW THIS REQUIREMENT ON NON-GRICULTURAL PRODUCTS BY JULY 31, 1974.

9. CONSENSUS OF BUSINESS OPINION ON DEPOSIT MEASURE IS THAT BASIC BANK CREDIT AVAILABILITY INADEQUATE AND THIS ONLY INTENSIFIED BY NEW BANKING REGULATIONS. EFFECTS WILL FALL IN FIRST INSTANCE ON SMALL FIRMS WORKING WITH LIMITED LIQUIDITY AND PROFIT MARGINS PARTICULARLY IN THE FOOD AND CONSUMER GOODS
E E E E E E E

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, TRADE LAW, TRADE PROMOTION, DIPLOMATIC DISCUSSIONS, IMPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ROME06492
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740114-1028
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740557/aaaabytg.tel
Line Count: 188
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: ROME: 6470, 6302, 6207, 6128 AND A-2, 69
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 31 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 OCT 2002 by shawdg>; APPROVED <07 JAN 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITALIAN IMPORT MEASURES - ASSESSMENT AND COMMENT UNCLASSIFIED
TAGS: EFIN, ETRD, IT, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005